

**DAGGETT COUNTY ROADS & TRANSPORTATION**

**SPECIAL SERVICE DISTRICT**

**(A COMPONENT UNIT OF DAGGETT COUNTY)**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2005**

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SPECIAL SERVICE DISTRICT  
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SPECIAL SERVICE DISTRICT  
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# SMUIN, RICH & MARSING

CERTIFIED PUBLIC ACCOUNTANTS

294 East 100 South

Price, Utah 84501

Phone (435) 637-1203 • FAX (435) 637-8708

CRAIG G. SMUIN, C.P.A.  
R. KIRT RICH, C.P.A.  
GREG MARSING, C.P.A.  
DOUGLAS RASMUSSEN, C.P.A.

MEMBERS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Daggett County Roads & Transportation  
Special Service District  
Manila, Utah 84046

We have audited the accompanying financial statements of the governmental activities and each major fund of Daggett County Roads & Transportation Special Service District (a component unit of Daggett County), as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Daggett County Roads & Transportation Special Service District's management. Our responsibility is to express opinions on these financial statements based on our audit.

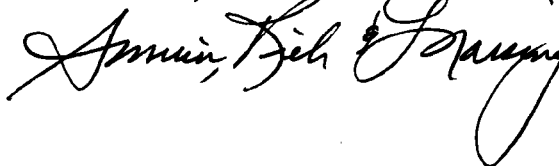
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Daggett County Roads & Transportation Special Service District as of December 31, 2005, and the respective changes in financial position, and the budgetary comparison for the General Fund and Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated August 9, 2006 on our consideration of Daggett County Roads & Transportation Special Service District's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management, Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

SMUIN, RICH & MARSING

A handwritten signature in cursive script, appearing to read "Smuin, Rich & Marsing", written over the printed name.

Price, Utah

August 9, 2006

**DAGGETT COUNTY ROADS & TRANSPORTATION  
SPECIAL SERVICE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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Our discussion and analysis of Daggett County Roads & Transportation Special Service District's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2005.

The purpose of the District is to provide central management, operational control, funding and fiscal responsibility for the construction, operation and management of road and transportation projects, and other related services within the District's boundaries.

**Financial Highlights**

- ❖ The District's net assets increased \$128,158 as a result of this year's operations. Net assets of our governmental activities (the only activity the District has) increased by 10.45%.
- ❖ Total program expenses of \$147,679, were not offset by any direct revenues for these services.
- ❖ Mineral lease revenue for the year ended December 31, 2005 was \$340,336. This was an increase of \$52,973 from the year ended December 31, 2004.
- ❖ Payment in lieu of taxes and interest income for the year ended December 31, 2005 was \$26,220 and \$42,712 respectively. Payment in lieu of taxes increased \$762 whereas interest increased \$21,252 over the previous year.
- ❖ The Special Revenue fund balance increased \$22,688 for the year ended December 31, 2005.
- ❖ The Capital Projects fund balance increased by \$112,520 for the year ended December 31, 2005.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business.

The *Statement of Net Assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

## **Government-Wide Financial Statements (Continued)**

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the District include highways and public improvements.

Refer to the table of contents for the location of the government-wide financial statements.

## **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds.

## **Governmental Funds**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on the balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the special revenue fund, and the capital projects fund all of which are considered to be major funds.

The District adopts an annual appropriated budget for all its governmental funds. Budgetary comparison statements have been provided for the general fund and the special revenue fund to demonstrate compliance with those budgets.

Refer to the table of contents for the location of the basic governmental fund financial statements.

## **Proprietary Funds**

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The District does not have any proprietary funds.

## Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The District does not hold any funds or property in a trustee capacity. Consequently, the District does not have any fiduciary funds.

## Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are an essential part of the basic financial statements.

## Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceed liabilities by \$1,404,595 at the close of the most recent fiscal year.

By far the largest portion of the District's net assets \$1,074,039 (76.47 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$330,556) may be used to meet the government's on going obligations to its citizens and creditors.

At the end of the year, the District is able to report positive balances in both the restricted and unrestricted net assets, both for the government as a whole, as well as for its separate governmental activities.

**Table 1**  
**Net Assets**

	<b>Governmental Activities</b>	<b>Governmental Activities</b>
	<b>2004</b>	<b>2005</b>
Current and other assets	\$ 1,226,773	\$ 1,404,595
Total assets	\$ 1,226,773	\$ 1,404,595
Total liabilities	\$ ...	\$ ...
Net assets:		
Restricted for:		
Capital projects	\$ 444,257	\$ 1,074,039
Unrestricted	782,516	330,556
Total net assets	\$ 1,226,773	\$ 1,404,595



## Government-Wide Financial Analysis (Continued)

Net Assets of the District are \$1,404,595, an increase of \$128,158 from the prior year. *Unrestricted* net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, is \$330,556 at the end of the year. *Restricted* net assets, the part of net assets that has been restricted for capital improvements, is \$1,074,039.

**Table 2**  
**Changes in Net Assets**

	<b>Governmental Activities</b>	<b>Governmental Activities</b>
	<b>2004</b>	<b>2005</b>
<b>Revenues</b>		
General Revenues:		
Mineral Lease revenue	\$ 287,363	\$ 340,336
Payment in Lieu of Taxes	25,458	26,220
Investment earnings	21,460	42,712
Total revenues	\$ 334,281	\$ 409,268
<b>Program Expenses</b>		
Highways and public improve.	\$ 9,249	\$ 7,454
Capital outlay	390,909	140,225
Contributions to other governments		133,431
Interest on long-term debt	193	
Total expenses	\$ 400,351	\$ 281,110
Change in net assets	\$ (66,070)	\$ 128,158
Net Assets - beginning	\$ (1,292,843)	\$ (1,226,773)
Prior period adjustment		(49,664)
Net Assets - ending	1,226,773	1,404,595
Change in net assets	\$ (66,070)	\$ 128,158

## **Government-Wide Financial Analysis (Continued)**

Mineral lease funds for the District, which are the major revenue source, increased \$52,973, an 18.43 percent increase. Total expenses using these funds decreased \$119,241, a decrease of 29.8 percent. Payment in lieu of taxes increased \$762, a minimal amount. Interest income increased \$21,252, an increase of 99 percent.

The largest source of funds (Mineral lease revenue) enables the District the opportunity to fund a variety of road and transportation improvement projects. Because of the increase in these funds, the District has taken the opportunity to fund projects in the current year that would have been postponed for future funding.

The cost of all governmental activities this year was \$281,110. As shown in the Statement of Activities on page 10, Mineral Lease revenue paid for all of these activities. Overall, the District did not have any governmental program revenues and relies heavily on mineral lease funds to administer the operations of the District.

Costs of the District's are centered within a few programs—Highways and public improvements and Capital outlay (projects). The net cost of expenditures (over) specific program revenues shows the financial burden that utilizes the Mineral lease funds, Payment in lieu of taxes and interest income.

### **General Fund Budgetary Highlights**

Over the course of the year, the District revised their general fund budget once. The original budget was adopted on December 21, 2004 and was amended on December 29, 2005. The general fund budget was amended from the original budget amount of \$35,000 to \$52,136. The budget change was to account for additional revenues received during the year.

The actual charges for expenditures and transfers were \$30,658. This was \$21,478 below the final budget amount.

Resources for revenues were \$29,449. This was \$22,687 below the final budgeted amount.

### **Capital Assets and Debt Administration**

#### **Capital Assets**

At the end of December 31, 2005, the District did not have any amounts invested in Capital Assets. The December 31, 2006 budget does not call for any capital asset purchases that will be owned by the District.

#### **Long-term debt**

As of December 31, 2005, the District did not have any bonds or notes payable outstanding. The District at the present time does not anticipate a new debt issue.

## **Economic Forecast and Future Budget**

The District's operational goals for future years is to continue to strive to use the allotted funds in the best interest of the District and those who are served by the District's operations. As revenues increase, the funds will be used to make necessary road and transportation improvements, and purchase supplies and equipment that are appropriate and beneficial.

The District relies almost totally on mineral lease money and payment in lieu of taxes for revenues. The future appears to be stable with respect to the receipt of these funds. There does not appear to be any activity in the economy of Daggett County, which would greatly affect the increase, or decrease of revenues to the District. Although, the County is the governmental entity that controls how mineral lease money will be allocated within the County. It appears the County may allocate 25% of the mineral lease money to economic development. This would reduce the District's revenues and total budget for 2006 by the amount of funds diverted.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our community with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Secretary, Vickie McKee at P.O. Box 293, Manila, Utah 84046.

**DAGGETT COUNTY ROADS & TRANSPORTATION**  
**SPECIAL SERVICE DISTRICT**  
**(A COMPONENT UNIT OF DAGGETT COUNTY)**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2005**

	GOVERNMENTAL ACTIVITIES
<b><u>ASSETS</u></b>	
Investments	\$ 286,733
Investments restricted	1,074,039
Due from other governments	43,823
Total assets	\$ 1,404,595
<b><u>NET ASSETS</u></b>	
Restricted for:	
Capital projects	\$ 556,777
Special revenue	517,262
Unrestricted	330,556
Total net assets	\$ 1,404,595

"The accompanying notes are an integral part of this statement."

**DAGGETT COUNTY ROADS & TRANSPORTATION  
SPECIAL SERVICE DISTRICT  
(A COMPONENT UNIT OF DAGGETT COUNTY)  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
				Governmental Activities
<b><u>FUNCTION/PROGRAMS</u></b>				
<b>Primary Government:</b>				
Governmental activities:				
Highway & public improvement	\$ 7,454			\$ (7,454)
Capital outlay	140,225			(140,225)
Total governmental activities	\$ 147,679	\$ ...	\$ ...	\$ (147,679)
General Revenues:				
Mineral lease				\$ 340,336
Payment in lieu of taxes				26,220
Investment earnings				42,712
Contribution to other governments				(133,431)
Total general revenues, special items, and transfers				\$ 275,837
Change in net assets				\$ 128,158
Net assets - beginning				1,226,773
Prior period adjustment				49,664
Net assets - ending				\$ 1,404,595

"The accompanying notes are an integral part of this statement."

**DAGGETT COUNTY ROADS & TRANSPORTATION**  
**SPECIAL SERVICE DISTRICT**  
**(A COMPONENT UNIT OF DAGGETT COUNTY)**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2005**

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b><u>ASSETS</u></b>				
Investments		\$ 286,733		\$ 286,733
Investments restricted		517,262	\$ 556,777	1,074,039
Total assets	\$ ...	\$ 803,995	\$ 556,777	\$ 1,360,772
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>LIABILITIES:</b>				
<b>FUND BALANCES:</b>				
Reserved for:				
Capital projects fund			\$ 556,777	\$ 556,777
Special revenue fund		\$ 517,262		517,262
Unreserved, reported in:				
Special revenue fund		286,733		286,733
Total fund balances	\$ ...	\$ 803,995	\$ 556,777	\$ 1,360,772
Total liabilities and fund balances	\$ ...	\$ 803,995	\$ 556,777	\$ 1,360,772

"The accompanying notes are an integral part of this statement."

**DAGGETT COUNTY ROADS & TRANSPORTATION  
SPECIAL SERVICE DISTRICT  
(A COMPONENT UNIT OF DAGGETT COUNTY)  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
DECEMBER 31, 2005**

Total fund balances - governmental fund types:	\$ 1,360,772
Accrual of mineral lease money for the fourth quarter 2005 received in subsequent year.	<u>43,823</u>
Net assets of governmental activities	<u><u>\$ 1,404,595</u></u>

"The accompanying notes are an integral part of this statement."

**DAGGETT COUNTY ROADS & TRANSPORTATION  
SPECIAL SERVICE DISTRICT  
(A COMPONENT UNIT OF DAGGETT COUNTY)  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

				TOTAL GOVERNMENTAL FUND
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DECEMBER 31, 2005
<b>REVENUES:</b>				
Mineral lease		\$ 346,177		\$ 346,177
Payment in lieu of taxes	\$ 26,220			26,220
Interest revenue	3,229	22,688	\$ 16,795	42,712
<b>Total revenues</b>	<b>\$ 29,449</b>	<b>\$ 368,865</b>	<b>\$ 16,795</b>	<b>\$ 415,109</b>
<b>EXPENDITURES:</b>				
Current -				
Highway and public improvements	\$ 7,454			\$ 7,454
Capital outlay			\$ 140,225	140,225
<b>Total expenditures</b>	<b>\$ 7,454</b>	<b>\$ ...</b>	<b>\$ 140,225</b>	<b>\$ 147,679</b>
Excess of revenue over (under) expenditures	\$ 21,995	\$ 368,865	\$ (123,430)	\$ 267,430
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in			\$ 369,381	\$ 369,381
Operating transfers out	\$ (23,204)	\$ (346,177)		(369,381)
Contribution to other governments			(133,431)	(133,431)
<b>Total other financing sources (uses)</b>	<b>\$ (23,204)</b>	<b>\$ (346,177)</b>	<b>\$ 235,950</b>	<b>\$ (133,431)</b>
Excess of revenues and other sources over (under) expenditures and other uses	\$ (1,209)	\$ 22,688	\$ 112,520	\$ 133,999
<b>FUND BALANCE, January 1,</b>	<b>1,209</b>	<b>781,307</b>	<b>444,257</b>	<b>1,226,773</b>
<b>FUND BALANCE, December 31,</b>	<b>\$ ...</b>	<b>\$ 803,995</b>	<b>\$ 556,777</b>	<b>\$ 1,360,772</b>

"The accompanying notes are an integral part of this statement."



**DAGGETT COUNTY ROADS & TRANSPORTATION**  
**SPECIAL SERVICE DISTRICT**  
**(A COMPONENT UNIT OF DAGGETT COUNTY)**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ 133,999
Difference between timing of mineral lease revenue received. Net of revenue recorded in January 2005, which pertained to a prior year and accrual of mineral lease revenue at the end of 2006.	(5,841)
Change in net assets of governmental activities	\$ 128,158

"The accompanying notes are an integral part of this statement."

**DAGGETT COUNTY ROADS & TRANSPORTATION  
SPECIAL SERVICE DISTRICT  
(A COMPONENT UNIT OF DAGGETT COUNTY)  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>GENERAL FUND</b>			<b>VARIANCE WITH BUDGET FAVORABLE (UNFAVORABLE)</b>
	<b>ORIGINAL BUDGET AMOUNT</b>	<b>FINAL BUDGET AMOUNT</b>	<b>ACTUAL AMOUNTS</b>	
<b>REVENUES:</b>				
Payment in lieu of taxes	\$ 25,000	\$ 42,136	\$ 26,220	\$ (15,916)
Interest Income	10,000	10,000	3,229	(6,771)
<b>Total revenues</b>	<b>\$ 35,000</b>	<b>\$ 52,136</b>	<b>\$ 29,449</b>	<b>\$ (22,687)</b>
<b>EXPENDITURES:</b>				
Highways and public improvements	\$ 10,000	\$ 27,136	\$ 7,454	\$ 19,682
<b>Total expenditures</b>	<b>\$ 10,000</b>	<b>\$ 27,136</b>	<b>\$ 7,454</b>	<b>\$ 19,682</b>
<b>Excess of revenues over (under) expenditures</b>	<b>\$ 25,000</b>	<b>\$ 25,000</b>	<b>\$ 21,995</b>	<b>\$ (3,005)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers out	\$ (25,000)	\$ (25,000)	\$ (23,204)	\$ 1,796
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>			<b>\$ (1,209)</b>	<b>\$ (1,209)</b>
<b>Fund balances - beginning of year</b>			<b>1,209</b>	<b>1,209</b>
<b>Fund balances - end of year</b>	<b>\$ ...</b>	<b>\$ ...</b>	<b>\$ ...</b>	<b>\$ ...</b>

"The accompanying notes are an integral part of this statement."

**DAGGETT COUNTY ROADS & TRANSPORTATION**  
**SPECIAL SERVICE DISTRICT**  
**(A COMPONENT UNIT OF DAGGETT COUNTY)**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>SPECIAL REVENUE FUND</u>			<u>VARIANCE WITH BUDGET FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL BUDGET AMOUNT</u>	<u>FINAL BUDGET AMOUNT</u>	<u>ACTUAL AMOUNTS</u>	
<b>REVENUES:</b>				
Mineral lease	\$ 250,000	\$ 346,177	\$ 346,177	
Interest Income			22,688	\$ 22,688
<b>Total revenues</b>	<u>\$ 250,000</u>	<u>\$ 346,177</u>	<u>\$ 368,865</u>	<u>\$ 22,688</u>
<b>EXPENDITURES:</b>				
Highways and public improvements				
<b>Total expenditures</b>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ ...</u>
<b>Excess of revenues over (under) expenditures</b>	<u>\$ 250,000</u>	<u>\$ 346,177</u>	<u>\$ 368,865</u>	<u>\$ 22,688</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers out	<u>\$ (200,000)</u>	<u>\$ (346,177)</u>	<u>\$ (346,177)</u>	<u>\$ ...</u>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<u>\$ 50,000</u>		<u>\$ 22,688</u>	<u>\$ 22,688</u>
<b>Fund balances - beginning of year</b>	<u>781,307</u>		<u>781,307</u>	<u>781,307</u>
<b>Fund balances - end of year</b>	<u>\$ 831,307</u>	<u>\$ ...</u>	<u>\$ 803,995</u>	<u>\$ 803,995</u>

"The accompanying notes are an integral part of this statement."

**DAGGETT COUNTY ROADS & TRANSPORTATION SPECIAL SERVICE DISTRICT  
(A COMPONENT OF DAGGETT COUNTY)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**1. HISTORY AND ORGANIZATION**

Daggett County Roads & Transportation Special Service District was created by resolution of the Daggett County Commissioners according to the provisions of Title 17A, Chapter 2, Part 13, Utah Code Annotated as amended. The District was established to provide central management, operational control, funding and fiscal responsibility for the construction, operation and management of transportation projects and other related services. A Board of Directors appointed by the Daggett County Commissioners governs the District. The Board of Directors has all powers and duties in the operation of the District which are delegated to it by the Daggett County Commissioners, including: the power of eminent domain, the power to enter into contracts, selection of its domicile, setting of meeting times, adoption of regulations and bylaws for its operations, and the adoption of budgets.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Daggett County Roads & Transportation Special Service District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. Certain significant changes in the Statement include the following:

- 1) For the first time the financial statement include:

A Management's Discussion and Analysis (MD&A) providing an analysis of the District's overall financial position and results of operations.  
Financial statements prepared using full-accrual accounting for all of the District's activities.

- 2) A change in the fund financial statements to focus on the major funds.

This and other changes are reflected in the accompanying financial statements (including notes to financial statements).

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **A. Reporting Entity**

The criteria used by Daggett County Roads & Transportation Special Service District to determine the reporting entity consists of including any governmental department, agency, institution, commission or other governmental organization of which the District's governing board has financial accountability. Financial accountability is derived from the governmental unit's power and includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. Financial accountability implies that a governmental unit is dependent on another and the dependent unit should be reported as part of the other. The District has not created any other agency nor has any authority over any other agency. Therefore, no other agency is included in the "reporting entity." However, the District is considered a "Component Unit of Daggett County" since the District meets the criteria set forth in the Governmental Accounting Standards Board statement Number 14, "The Financial Reporting Entity," regarding component units. Some of the criteria to be considered in determining financial accountability include: appointing a majority of the District's governing body, the ability of the County Commission to impose its will on the District and the potential for the District to provide specific financial benefits to, or impose specific burdens on, the County.

### **B. Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customer who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Cont'd)**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period when revenues can be used to pay accrued expenditures. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

**General Fund** - The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Special Revenue Fund** - The Special Revenue Fund is used to account for the operations that have been restricted to specific programs or projects. Pursuant to the 1994 Revenue Bond Resolution to accumulate funds needed for debt service payments, the District created a special revenue fund to account for mineral lease funds pledged to make these payments. Now that the debt has been paid off, the District will budget a transfer of the entire fund balance into the capital projects fund in 2006.

**Capital Projects Fund** - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital assets.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first then unrestricted resources, as they are needed.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. **Capital Assets**

The District has no Capital Assets.

E. **Budgeting**

The system of budgeting used by the District complies primarily with the procedures outlined in the "State of Utah Uniform Accounting Manual for Special Districts," which is in accordance with generally accepted accounting principles. Budgets are presented on the modified accrual basis of accounting for all governmental funds. All annual appropriations lapse at year-end.

The District follows the budgetary practices and procedures required by State law. These requirements are summarized as follows:

1. A formal budget is adopted by the District.
2. The budget is a complete financial plan that identifies all estimated revenues and all appropriations for expenditures for the year. The budget must balance – that is estimated revenues and expenditures must equal.
3. On or before November 1, the District Secretary prepares a tentative budget and files it with the Board of Directors.
4. The tentative budget is a public record and is available for public inspection for at least ten days prior to public hearings held to consider adoption of the budget.
5. Notice of the scheduled public hearings is published at least seven days prior to the meetings.
6. Public hearings are held on the tentatively adopted budget. Members of the public may comment on the budget and recommend changes to the Board of Directors.
7. The Board of Directors considers the comments made by the public and makes final adjustments to the budget.
8. By December 31, the Board of Directors adopts the budget by resolution. A copy of the budget is certified by the County Auditor and is filed with the State Auditor within thirty days of adoption. A certified copy of the budget is available for public inspection.
9. The budget may be amended to reflect changes in circumstances, which occur during the year.

F. **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of six months or less from the date of acquisition, including investments in the Public Treasurers' Investment Fund (PTIF).

G. **Use of Estimates**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **H. Net Assets/Fund Balances**

The difference between assets and liabilities is "Net Assets" on the government-wide and proprietary fund financial statements and "Fund Balance" on the governmental fund financial statements. Net assets are divided into these categories, investment in capital assets (net of related debt), restricted, and unrestricted. Net assets are reported as restricted when constraints are placed upon them by external parties or are imposed by constitutional provisions or enabling legislation.

In the governmental fund financial statements, fund balances are classified as reserved, unreserved designated, or unreserved undesignated. Reserves represent those portions of fund balance not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

## **3. DEPOSITS AND INVESTMENTS**

Deposits and investing for the District are governed by the Utah Money Management Act (Utah Code, Title 51, Chapter 7) and rules of the State of Utah Money Management Council.

The District follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

### **Deposits**

The District maintains a cash pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and cash equivalents. Income from the pooled cash is allocated based on each fund's portion of the pool. In addition, investments are separately held by the capital projects and special revenue funds.

### ***Custodial Credit Risk***

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At December 31, 2005, the District's bank balance of cash on deposit was \$0 of this amount \$0 was insured.

### **Investments**

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.



### 3. DEPOSITS AND INVESTMENTS (Continued)

#### **Investments (Continued)**

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, and Utah Code Annotated, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of December 31, 2005, the District had the following investments and maturities:

Investment Type	Carrying Amount and Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More than 10
Primary government:					
Debt securities					
Repurchase Agreements	\$ 144,766	\$ 144,766			
		\$ 144,766	\$ ...	\$ ...	\$ ...
Other Investments					
Investments in Utah Public					
Treasurer's Investment Pool	1,216,006				
Total Investments, primary government	\$ 1,360,772				

### 3. DEPOSITS AND INVESTMENTS (Continued)

#### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages this risk in part by investing in the Utah Public Treasurers Investment Fund. The District also manages its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptance, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

#### *Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has not adopted a formal policy with regards to credit risk on investments but the District informally follows the policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

At December 31, 2005, the District had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Primary government:					
<u>Debt Securities</u>					
Repurchase agreements	\$ 144,766				\$ 144,766
<u>Other Investments</u>					
Investments in Utah Public					
Treasurer's Investment Pool	1,216,006				1,216,006
Total, primary government	\$ 1,360,772	\$ ...	\$ ...	\$ ...	\$ 1,360,772

#### *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District informal policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. No more than 5% of all funds may be invested in securities of a corporation that has been in continuous operation for less than three years. No more than 5% of the outstanding voting securities of any one corporation may be held. In addition, Rule 2 limits investment concentrations in certain types of investments. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

3. **DEPOSITS AND INVESTMENTS (Continued)**

*Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk. As of December 31, 2005, the District had \$1,216,006 invested in the Public Treasurer's Investment Fund and was held by them.

The District's investments at December 31, 2005 were held by the District or in the District's name by the District's custodial banks except for repurchase agreements with qualified depositories totaling \$144,766 where the underlying securities were uninsured and held by the investment's counterparty, not in the name of the District.

4. **BUDGET COMPLIANCE**

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - discloses budgetary compliance on a functional level as required by generally accepted accounting principles. Utah State law requires that budgetary compliance be measured on a fund level. During the year ended December 31, 2005, the District did not have any unfavorable variances in any of their funds.

5. **RESERVED/RESTRICTED FUND BALANCE**

Fund balances at December 31, 2005 in the Capital Projects Fund and Special Revenue Funds have been reserved and restricted for the improvements to the Browns Park Road and the Birch Creek Road as follows:

Capital Projects Fund	\$ 556,777
Special Revenue Fund	<u>517,262</u>
	<u>\$1,074,039</u>

6. **RELATED PARTY TRANSACTIONS**

The District does not have any related party transactions for the year 2005, nor are any individuals or companies deemed to be a related party.

7. **RETIREMENT**

The District did not participate in a retirement plan as of December 31, 2005.

8. **PRIOR PERIOD ADJUSTMENT**

A prior period adjustment was made to the government-wide financial statements in the Statement of Activities. The adjustment was made to properly reflect mineral lease money, which was collected in January 2005 and applied to the year ended December 31, 2004.

# **SMUIN, RICH & MARSING**

CERTIFIED PUBLIC ACCOUNTANTS

294 East 100 South

Price, Utah 84501

Phone (435) 637-1203 • FAX (435) 637-8708

CRAIG G. SMUIN, C.P.A.  
R. KIRT RICH, C.P.A.  
GREG MARSING, C.P.A.  
DOUGLAS RASMUSSEN, C.P.A.

MEMBERS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Daggett County Roads & Transportation  
Special Service District  
Manila, Utah 84046

RE: Report on Compliance and on Internal  
Control Over Financial Reporting Based  
on an Audit of Financial Statements  
Performed in Accordance With Government  
Auditing Standards

We have audited the financial statements of Daggett County Roads & Transportation Special Service District as of and for the year ended December 31, 2005, and have issued our report thereon dated June 3, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

## **Compliance**

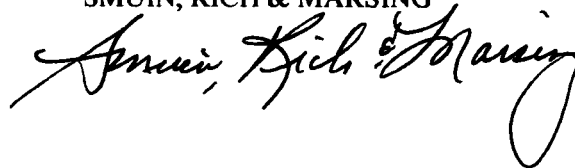
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

## **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

SMUIN, RICH & MARSING

A handwritten signature in cursive script, reading "Smuin, Rich & Marsing". The signature is written in dark ink and is positioned below the firm's name.

Price, Utah

August 9, 2006

**SMUIN, RICH & MARSING**

CERTIFIED PUBLIC ACCOUNTANTS

294 East 100 South

Price, Utah 84501

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Special Service District  
Manila, Utah 84046

**Re: Report on Legal Compliance with Applicable  
Utah State Laws and Regulations**

We have audited the accompanying financial statements of the governmental activities and each major fund of Daggett County Roads & Transportation Special Service District for the year ended December 31, 2005, and have issued our report thereon dated August 9, 2006.

As part of our audit, we have audited the District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended December 31, 2005. The District received the following major State assistance program from the State of Utah:

**Mineral Lease Funds (Department of Transportation)**

The District did not receive any non-major state grants during the year ended December 31, 2005.

Our audit included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt

Purchasing Requirements

Special Districts

Cash Management

Budgetary Compliance

Other Compliance Requirements

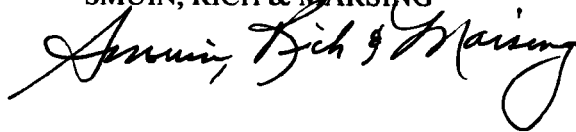
The management of the District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Daggett County Roads & Transportation Special Service District complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance program for the year ended December 31, 2005.

SMUIN, RICH & MARSING

A handwritten signature in cursive script, reading "Smuin, Rich & Marsing", written in dark ink.

Price, Utah

August 9, 2006



# SMUIN, RICH & MARSING

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Board of Directors  
Daggett County Roads & Transportation  
Special Service District  
Manila, Utah 84046

The following comments and recommendations are a result of our review of the accounting procedures and internal controls in connection with our examination of the financial statements of Daggett County Roads & Transportation Special Service District for the year ended December 31, 2005.

Since our review was made primarily to determine the scope of our auditing procedures and was not intended as a comprehensive study or evaluation of the systems and procedures, this memorandum should not be considered all-inclusive.

We welcome the opportunity to discuss any items mentioned in this memorandum or any other accounting or procedural questions.

### TREASURER'S BOND

The State of Utah requires every public treasurer to secure a fidelity bond for an amount that is a certain percentage of its prior years budgeted gross revenues. This is according to Utah Code 51-7-15 and Rule 4 of the Utah Money Management Council. We have calculated the amount that is required for the fidelity bond and the District is not bonded for an adequate amount.

The amount of the bond for the District should have been at least \$18,080 but the District did not have a bond. For the year ending December 31, 2006, the District should be bonded for 8% of the total budgeted revenues of all funds handled by the District for the year ended December 31, 2005, which would require a bond in the amount of \$33,368.

We recommend the District comply with State Law and obtain a fidelity bond in the amount required to meet the levels required by the State of Utah.

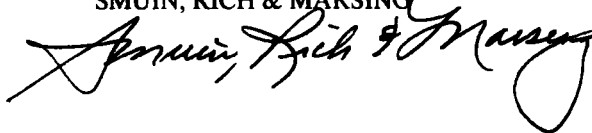
**District Response** – The District will review State law with regards to requirements for fidelity bonds and do what is necessary to comply with State law.

### SUMMARY

We feel the State Compliance issue mentioned above is an area where the District can make changes so as to further improve its internal control structure to safeguard the assets, check the accuracy and reliability of accounting data and promote operating efficiency.

Sincerely,

SMUIN, RICH & MARSING



Price, Utah

August 9, 2006